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Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

You state that you were probably formed on [REDACTED]. You presently are in an inactive status, and are under the jurisdiction of [REDACTED]. You are unable to furnish a creating document for your organization. Although little information is currently available, your organization operated for many years before becoming inactive. You advise us that you were a membership organization with both social and mutual benefit activities which catered to the needs of immigrant members who came from a specific European locality. You indicate that your primary activities were making burial plots available for deceased members, and providing benefits to friends and relatives that remained in the place of origin of your immigrant members.

Presently, you are in the process of liquidation under the laws of the State of [REDACTED]. Pursuant to that liquidation, and remaining assets of your organization will be equitably distributed to any of your members that you are able to locate at that point in time.

Based on the information that you have presented, your principal activity has always been the provision of various benefits to members, families of members, or friends of members. With the passage of time your social activities diminished, and at some unknown point in time ceased altogether.

Section 501(c)(7) of the Internal Revenue Code provides that clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations states that the exemption provided by section 501(c)(7) applies only to clubs which are organized and operated exclusively for

pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Revenue Ruling 63-190, 1963-2 C.B. 212, provides that nonprofit organizations (not operated under the lodge system) which maintain social clubs for members and also provide sick and death benefits for members and their beneficiaries, do not qualify for exemption from Federal income tax either as social clubs under section 501(c)(7), civic leagues under section 501(c)(4), or fraternal beneficiary societies under section 501(c)(8) of the Internal Revenue Code of 1954. That revenue ruling went on to state that the payment of sick and death benefits is not the function of a social club, and that the provision of those benefits precludes exemption under section 501(c)(7).

The provision of burial plots to members, or the payment of financial assistance to family or friends of members, does not fall within the category of "other nonprofitable purposes" referred to in section 501(c)(7) of the Code. The Service has long held that the term "other nonprofitable purposes" refers to purposes similar to pleasure and recreation. Also, since you have not furnished a creating document for your organization, you have not shown that there is an entity to which exemption may be afforded.

Accordingly, you are not exempt under section 501(c)(7) of the Code. You are required to file federal income tax returns on Form 1120.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted in duplicate within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

[REDACTED]

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, if you have any questions about your federal income tax status, please contact your key District Director.

cc: [REDACTED]

Sincerely yours,

Signed [REDACTED]

cc: [REDACTED]

[REDACTED]  
Chief, Exempt Organizations  
Rulings Branch 2

[REDACTED]  
10/14/93

[REDACTED]  
10-21-93